

Message Text

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ACTION SS-15

INFO OCT-01 ARA-06 ISO-00 AID-05 TRSE-00 OMB-01 MC-02

IGA-02 ACDA-07 EB-07 IO-13 CIAE-00 PM-04 H-02 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 USIA-06 /090 W

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R 162135Z NOV 76

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 2696

INFO SECDEF WASHDC

AMEMBASSY LA PAZ

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

USCINCSO QUARRY HEIGHTS CZ

C O N F I D E N T I A L LIMA 10478

EO 11652: GDS

TAGS: MASS, XX

SUBJ: FMS POLICY

REF: A. STATE 257643, B. QUITO 7914 (NOTAL)

1. THIS EMBASSY SUBSCRIBES TO COMMENTS ON RESTATED FMS POLICY ADVANCED BY EMBASSY QUITO IN REF (B). THE FLEXIBILITY FOR FMS PROGRAMS CALLED FOR IN QUITO'S 7914 WOULD BE PARTICULARLY USEFUL IN THE CASE OF PERU, WHERE WE WISH TO CONTINUE TO EXPLOIT THE USES OF THE FMS CREDIT PROGRAM IN SUPPORT OF OUR IMPROVING POLITICAL AND MILITARY RELATIONSHIPS AT A TIME WHEN PERU IS CAUSING CONCERN TO BOTH ITS NEIGHBORS AND OURSELVES BY CERTAIN MAJOR EQUIPMENT BUYS FROM THE USSR AND OTHER SUPPLIERS.

2. WITH THESE CONCERNS IN MIND, THE COUNTRY TEAM RECOMMENDED IN THE LATEST APPROVED CASP THAT WE SHOULD "CONTINUE TO EMPHASIZE TRAINING AND SPARE PARTS OVER END ITEMS THAT TEND TO ENHANCE PERU'S OFFENSIVE CAPABILITY." THIS OBJECTIVE, APPARENTLY ENDORSED BY THE IG/ARA, APPEARS TO BE INCOMPATIBLE WITH
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THE OVERALL FMS POLICY RESTATED IN REF (A). ADMITTEDLY,

INDIVIDUAL REQUESTS FOR EXCEPTIONS TO THE POLICY WILL PRESUMABLY BE VIEWED RELATIVELY LENIENTLY IN LATIN AMERICA PER PARA TEN OF STATE 257643, BUT THIS PROCEDURE WILL CLEARLY COST BOTH THE FIELD MISSIONS AND WASHINGTON AGENCIES CONCERNED AN INORDINATE AMOUNT OF TIME AND EFFORT SEEKING EXCEPTIONS TO A POLICY WITH TWO FUNDAMENTAL DEFECTS: (A) IT INSISTS ON SALES OF MAJOR END ITEMS WHICH TEND TO RAISE THE LEVEL OF CONCERN AMONG PERU'S NEIGHBORS AND IN CERTAIN U.S. CIRCLES; AND (B) IT OVERLOOKS OUR RAPIDLY GROWING EXPERIENCE HERE THAT WE FREQUENTLY CANNOT COMPETE WITH OTHER SUPPLIERS OF MAJOR END ITEMS ANYWAY--ESPECIALLY WHEN THE SOVIETS CHOOSE TO OFFER UNMATACHABLE TERMS FOR POLITICAL REASONS AS IN THE RECENT SU-22 DEAL.

3. WE WOULD THEREFORE PREFER A FLEXIBLE FMS POLICY FOR PERU. WE TAKE AS "GIVEN" THAT THE PERUVIAN MILGOV WILL CONTINUE TO PURCHASE MAJOR END ITEMS ABROAD AS WELL AS SOFTWARE, SPARE PARTS AND TRAINING. THE GOP WILL BUY FROM THE SOURCE THAT OFFERS THE BEST TERMS. SOMETIMES WE MAY BE ABLE AND MAY DESIRE TO COMPETE FOR MAJOR END-ITEM SALES IN ORDER TO PRESERVE THE MARKET AND OUR INFLUENCE HERE--OR TO DENY THOSE ASSETS TO OTHERS. BUT THE SOVIETS AND OTHER SUPPLIERS WILL OFTEN OFFER MAJOR END-ITEM PACKAGES FOR POLITICAL PURPOSES THAT THE U.S. CANNOT MATCH ON A COMMERCIAL BASIS. WE MAY THUS HAVE ONLY SPARE PARTS AND TRAINING TO OFFER UNDER FMS IN MAINTAINING OUR INFLUENCE WITH THE MILITARY LEADERS OF THIS COUNTRY. OUR FMS POLICY SHOULD THEREFORE BE FLEXIBLE ENOUGH TO RECOGNIZE THESE REALITIES AND AVOID TYING OUR OWN HANDS.

4. FOR DEPARTMENT'S INFORMATION, CURRENT FMS POLICY AS SET FORTH REF (A) WAS RELAYED TO GOP DURING RECENT VISIT TO LIMA BY GENERALS CAVAZO AND WAGGENER.
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